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Message Text

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TO AMEMBASSY JAKARTA PRIORITY

C O N F I D E N T I A L STATE 096742

E.O. 11652: GDS

TAGS: OVIP (MONDALE, WALTER F.)

SUBJECT: INDONESIAN EMBASSY NOTE ON VICE PRESIDENTIAL VISIT

FOLLOWING IS TEXT OF INFORMAL "NOTE OF INDONESIAN EMBASSY ON VARIOUS MATTERS" PRESENTED TO DAS OAKLEY BY AMB ASHARI DURING APRIL 13 CALL.

BEGIN TEXT:

1. THE REPUBLIC OF INDONESIA FULLY APPRECIATES THE CLOSE RELATIONS IT ENJOYS WITH THE UNITED STATES OF AMERICA IN ALMOST EVERY ASPECT, AS WITH MATTERS RELATING TO POLITICS, TRADE AND ECONOMY, CULTURE, AS WELL AS DEFENSE AND SECURITY.

2. IN DEALING WITH MULTILATERAL RELATIONS, THERE HAS
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ALWAYS EXISTED FEELINGS OF MUTUAL UNDERSTANDING AND COOPERATION BETWEEN THE GOVERNMENTS OF THE UNITED STATES OF AMERICA AND THE REPUBLIC OF INDONESIA, ESPECIALLY BETWEEN THE DELEGATES OF BOTH COUNTRIES AT THE UNITED NATIONS AND OTHER INTERNATIONAL FORA.
3. THE ASSISTANCE PROVIDED BY THE UNITED STATES TO THE REPUBLIC OF INDONESIA DURING THE LAST TEN YEARS, ESPECIALLY

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IN THE AREA OF ECONOMIC ASSISTANCE, HAS LARGELY BEEN RESPONSIBLE FOR THE ECONOMIC PROGRESS AND DEVELOPMENT OF THE NATION, WHICH IS BEING FELT THROUGHOUT THE COUNTRY.

4. RELATIONS BETWEEN THE UNITED STATES AND ASEAN OFFER GOOD PROSPECTS FOR THE FUTURE, AND IT IS HOPED THAT THE FORTHCOMING DIALOGUE WILL PROCEED AND BRING RESULTS IN ACCORDANCE WITH THE ASPIRATIONS OF THE PARTIES INVOLVED.

5. THE INDONESIAN GOVERNMENT HOPES THAT THE VISIT TO INDONESIA, SOON TO BE MADE BY VICE PRESIDENT AND MRS. MONDALE, WILL PRODUCE CONCRETE RESULTS IN MATTERS BENEFICIAL TO BOTH NATIONS.

6. ON POLITICAL ASPECTS, ATTENTION SHOULD BE FOCUSED ON THE ENCOURAGING SITUATIONS IN SOUTHEAST ASIA, WHICH REFLECTS THE WILLINGNESS AMONG SOUTHEAST ASIAN NATIONS TO COOPERATE IN PURSUIT OF PROGRESS AND STABILITY IN THE AREA REGARDLESS OF THE SOCIAL AND POLITICAL SYSTEMS OF THE RESPECTIVE COUNTRIES.

7. INDONESIA WELCOMES AND LOOKS FORWARD TO THE FORTH-COMING US-ASEAN DIALOGUE SCHEDULED TO BE HELD SOMETIMES IN JULY 1978 AND EXPRESSED THE HOPE THAT THIS DIALOGUE CONFIDENTIAL

WOULD ENHANCE THE COOPERATION IN THE FRAMEWORK OF IMPROV-ING THE SOCIAL AND ECONOMIC PROSPERITY AND STABILITY IN THE REGION.

8. INDONESIA WISHES THAT DURING THE VISIT OF VICE PRESI-DENT WALTER F. MONDALE TO INDONESIA, A STATEMENT BE ISSUED REGARDING THE UNITED STATES POSITION ON TIMOR TIMUR TO THE EFFECT THAT THE UNITED STATES RECOGNIZES THE FACT THAT EAST TIMOR IS AN INTEGRAL PART OF INDONESIA SINCE THE PEOPLE OF TERRITORY DECIDED TO INTEGRATE WITH INDO-NESIA ON MAY 31, 1976, AND FORMALLY BECAME THE 27TH PROVINCE OF INDONESIA ON JULY 17, 1976.

9. ON ECONOMIC ASPECTS, IT IS HOPED THAT THE VISIT WOULD BRING CONSTRUCTIVE AND POSITIVE RESULTS ON THE FOLLOWING ISSUES:

(A) INDONESIA LNG EXPORTS TO CALIFORNIA. INDONESIA REQUESTS THE UNITED STATES GOVERNMENT TO APPROVE THE INDONESIAN LNG EXPORT TO CALIFORNIA. THE IMPACT OF THE LNG EXPORT COULD SECURE THE NEED OF CLEAN ENERGY TO THAT AREA FOR 20 YEARS. THE PROJECT WILL BENEFIT

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THE UNITED STATES INVESTMENTS ABROAD, SHIPPING INDUSTRIES AND BUSINESS ETC.

(B) THE IRS RULING FOR US OIL COMPANIES OPERATING IN INDONESIA. THE INDONESIAN GOVERNMENT SUBMITTED THE REQUIRED DATA REQUESTED BY THE IRS REGARDING THE ABOVE ISSUE WHICH SHOWS THAT EVERYTHING IS IN ACCORDANCE WITH THE US TAX LAWS AND REGULATIONS. IT IS THE HOPE OF THE INDONESIAN GOVERNMENT THAT THE IRS RULING COULD BE APPROVED BEFORE THE VISIT OF VICE PRESIDENT MONDALE TO INDONESIA. THE IRS RULING WILL HAVE A SIGNIFICANT IMPACT ON THE FLOW OF US INVESTMENTS IN INDONESIA.

(C) THE US BILATERAL AND MULTILATERAL ASSISTANCE TO
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INDONESIA. (I) IT IS GENERALLY ACCEPTED THAT US BILATERAL ASSISTANCE CHANNELLED THROUGH THE USAID, THE PL 480, EXIMBANK AND OTHER AGENCIES PROGRAM, AND THE US MULTILATERAL ASSISTANCE CHANNELLED THROUGH THE WORLD BANK, ASIAN DEVELOPMENT BANK, IMF AND THE UNITED NATIONS AGENCIES HAS CONTRIBUTED TO THE PROGRESS OF THE INDONESIAN ECONOMIC AND SOCIAL DEVELOPMENT. DURING MORE THAN A DECADE OF COOPERATION BETWEEN THE TWO COUNTRIES A SIGNIFICANT IMPROVEMENT HAS BEEN MATERIALIZED, AMONG OTHERS:

- RICE PRODUCTION INCREASED FROM AROUND 9 MILLION TONS TO 15.7 MILLION TONS;

- POPULATION GROWTH HAS BEEN STABILIZED FROM 3 PERCENT TO ABOUT 2.4 PERCENT ANNUALLY;

- INFLATION HAS BEEN KEPT ON A CONTROLLABLE RATE OF AROUND 12 PERCENT ANNUALLY;

- THROUGH THE SOCALLED PRESIDENTIAL PROGRAMS FOR THE PEOPLE IN THE RURAL AREAS, SIGNIFICANT IMPROVEMENT HAS BEEN ACHIEVED ON EDUCATION, HEALTH CARE, DRINKING WATER, ETC.;

- PUBLIC AS WELL AS PRIVATE SAVINGS CONTRIBUTED TO THE ECONOMIC AND SOCIAL DEVELOPMENT ARE INCREASING IN VOLUME AS WELL AS PROPORTION.

(II) INDONESIA IS"TO A CERTAIN EXTENT, STILL DEPENDENT ON INFLOW OF CAPITAL AND TECHNOLOGY FROM DEVELOPED COUNTRIES AND IN THIS CONNECTION REQUESTS THE UNITED STATES GOVERNMENT TO MAINTAIN ITS CONSTRUC-
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TIVE POLICY ON FOREIGN ASSISTANCE TO INDONESIA.

(III) DUE TO ENVIRONMENTAL RECURRING PROBLEMS, ESPECIALLY IN JAVA, NAMELY DROUGHT, PEST AND POPULATION GROWTH IN RURAL AREA, FOOD (ESPECIALLY RICE) WILL REMAIN

THE BIGGEST PROBLEM IN THE NEAR FUTURE. EFFORTS HAVE BEEN MADE TO OVERCOME THESE PROBLEMS TOGETHER WITH THE USAID, THE WORLD BANK AND OTHER DONOR COUNTRIES. HOWEVER, THE SHORT TERM PROBLEM OF FOOD SHORTAGE HAS TO BE SOLVED IMMEDIATELY. IN THIS CONNECTION, INDONESIA REQUESTS THE UNITED STATES GOVERNMENT TO MAINTAIN AND INCREASE FOOD ASSISTANCE THROUGH PL 480 TITLE I AND OTHER FORM OF FOOD ASSISTANCE WHICH MEET THE INDONESIAN TERMS AND CONDITIONS. ACCORDING TO PROVISIONAL ESTIMATE, INDONESIA WILL IMPORT RICE IN THE FISCAL YEAR 1978/1979 FOR ABOUT 2.5 MILLION TONS, BESIDE OTHER FORMS OF FOOD SUCH AS WHEAT, SOYBEAN, ETC.

(D) ACCESS TO US MARKET FOR INDONESIAN EXPORT COMMODITIES AND PRODUCE. IN COMPLIANCE WITH THE AMENDMENT OF US TRADE ACT 1974, INDONESIA WILL NOT BE ABLE TO BENEFIT FROM THE US GSP REGULATION FOR HER EXPORT TO THE US MARKET ONLY BECAUSE INDONESIA IS A MEMBER OF OPEC, AND EVEN WITH THE KNOWLEDGE THAT INDONESIA HAS NEVER PARTICIPATED IN THE OIL EMBARGO TO THE UNITED STATES DURING 1973 AND 1974. ON THE CONTRARY, INDONESIA MADE HER BEST EFFORTS TO MEET THE UNITED STATES URGENT NEED OF OIL. NEARLY HALF OF INDONESIAN OIL EXPORTS GO TO THE UNITED STATES, ESPECIALLY TO THE WEST COAST AND HAWAII, IN AN INCREASING RATE SINCE 1975. IN THE NEAR FUTURE, NATURAL GAS (LNG) WILL ALSO BE EXPORTED TO THE UNITED STATES. IN THIS REGARD, INDONESIA REQUESTS THE UNITED STATES GOVERNMENT TO REVIEW THE US TRADE ACT 1974 SO THAT INDONESIA WOULD BE ELIGIBLE TO GSP REGULATION.

(E) US COMMODITY POLICIES. IN CONNECTION WITH PROBLEMS OF COMMODITIES BETWEEN DEVELOPED DEVELOPING COUNTRIES, AMONG OTHERS ON MATTERS RELATING TO PRICE STABILIZATION AGREEMENT, IT IS DESIRABLE THAT THE UNITED STATES POSITION ON COMMODITIES POLICIES BE MORE FORTHCOMING, ESPECIALLY WITH REGARDS TO COMMODITY AGREEMENTS, BUFFER STOCK ARRANGEMENTS, THE PROBLEMS OF THE COMMON FUND, THE

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STABEX ARRANGEMENTS, THE ACCESS OF UNITED STATES MARKETS AND OTHER MATTERS.

10. ON THE US SECURITY ASSISTANCE PROGRAM TO INDONESIA, IT IS UNDERSTOOD THAT THE US GRANT TO INDONESIA UNDER MILITARY ASSISTANCE PROGRAM WILL TERMINATE IN FY 1979. IT MEANS THAT PROBLEMS OF OPERATION AND MAINTENANCE SHOULD BE COVERED BY THE FMS CREDIT PROGRAM. APPROXIMATELY 30 PERCENT OF THE TOTAL AMOUNT OF THE MAP (GRANT-AID) FOR FY 196; THROUGH 1978 IS USED FOR THE OPERATION AND MAINTENANCE OF THE EQUIPMENTS ALREADY RECEIVED. AFTER THE TERMINATION OF MAP FOR FY 1979, IT IS REQUESTED

THAT NEGOTIATION COULD BE HELD FOR THE CONTINUATION OF FUNDS TO COVER THE OPERATION AND MAINTENANCE OF THE EQUIPMENTS ALREADY RECEIVED, AT LEAST FOR THE NEXT 5 YEARS. THIS PROGRAM WILL REQUIRE 15 MILLION US DOLLARS A YEAR.

11. INDONESIA WOULD ALSO APPRECIATE IT IF THE US GOVERNMENT (ADMINISTRATION AND CONGRESS) COULD ENSURE INDONESIA THAT THE REALIZATION OF THE CREDITS PROVIDED BY THE UNITED STATES COULD BE ADJUSTED TO INDONESIAN FIVE YEAR DEFENSE PLANNING AND PROGRAMMING.

12. FOR FIVE YEAR PERIOD (1978-1982), THE INDONESIAN GOVERNMENT REQUESTS 175 MILLION DOLS IN FMS, CONSISTING
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OF 100 MILLION DOLS FOR F-5E/F, 30 MILLION DOLS FOR M-16 CO-PRODUCTION, 15 MILLION DOLS FOR RADAR ITT, 20 MILLION DOLS FOR ARMORED CARS AND 10 MILLION DOLS FOR A-4 AIRCRAFTS. CHRISTOPHER

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